

proposed rule change SR-NASD-95-45 be, and hereby is, approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.³

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 95-28315 Filed 11-15-95; 8:45 am]

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[Release No. 34-36469; International Series Release No. 883; File No. SR-ODD-95-1]

Self-Regulatory Organizations; The Options Clearing Corporation; Order Approving Supplement to Options Disclosure Document Regarding Customized Foreign Currency Options With Customized Expiration Dates

November 8, 1995.

On October 26, 1995, the Options Clearing Corporation ("OCC"), on behalf of the Philadelphia Stock Exchange, Inc. ("PHLX" or "Exchange"), submitted to the Securities and Exchange Commission ("Commission"), pursuant to Rule 9b-1 under the Securities Exchange Act of 1934 ("Act"),¹ preliminary copies of a supplement ("Supplement") to the Options Disclosure ("ODD") which describes the special exercise and assignment procedures for foreign currency options with customized expiration dates ("Customized expiration date FCOs"). Five definitive copies of the Supplement were delivered to the Commission on November 7, 1995.²

The proposed Supplement to the ODD provides for disclosure of certain unique aspects of the Exchange's Customized expiration date FCO proposal, which has been submitted to the Commission separately.³ This Supplement, which is to be read in conjunction with the more general ODD entitled "Characteristics and Risks of Standardized Options," describes, among other things, the special exercise and assignment procedures for Customized expiration date FCOs. Pursuant to Rule 9b-1, the Supplement will have to be provided to investors in this product before their accounts are approved for transactions in Customized expiration date FCOs or their orders for Customized expiration date FCOs are accepted.

The Commission has reviewed the ODD Supplement and finds that it

complies with Rule 9b-1. The Supplement is intended to be read in conjunction with the ODD, which discloses the characteristics and risks of flexibly structured foreign currency options generally. The Supplement provides additional information regarding Customized expiration date FCOs sufficient to describe the special characteristics and risks of these products with respect to their exercise and assignment.

Rule 9b-1 provides that an options market must file five copies of amendments to a disclosure document with the Commission at least 30 days prior to the date definitive copies are furnished to customers, unless the Commission determines otherwise having due regard to the adequacy of the information disclosed and the protection of investors.⁴ The Commission believes that it is consistent with the public interest and the protection of investors to allow distribution of the Supplement as of November 8, 1995, a date which is within 30 days of the date definitive copies of the Supplement were submitted to the Commission. Specifically, the Commission believes that, because the Supplement provides adequate disclosure of the special characteristics and risks of these products with respect to their exercise and assignment, thereby helping to ensure that customers engaging in Customized expiration date FCOs are cable of understanding the risks of such trading activity, it is consistent with the public interest for it to be distributed to investors before the planned commencement of, or simultaneously with, trading in Customized expiration date FCOs on the Exchange.

It is therefore ordered, pursuant to Rule 9b-1 under the Act,⁵ that the proposed Supplement to the ODD (SR-ODD-95-1) to accommodate the Exchange's proposed trading of Customized expiration date FCOs is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁶

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 95-28317 Filed 11-15-95; 8:45 am]

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[Release No. 34-36474; File No. SR-PSE-95-27]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Pacific Stock Exchange, Incorporated Relating to the Amendment of its Minor Rule Plan To Include Certain Rules on Financial Reporting and Cooperation in Exchange Investigations and the Establishment of a Charge for the Late Filing of Periodic FOCUS Reports

November 9, 1995.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"), 15 U.S.C. 78s(b)(1), notice is hereby given that on October 17, 1995, the Pacific Stock Exchange, Incorporated ("PSE" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange is proposed to amend its Minor Rule Plan to include certain rules on financial reporting and cooperation in Exchange investigations. The Exchange is also proposing to amend its rules to establish an administrative charge for the late filing of quarterly FOCUS Reports. The text of the proposed rule change is as follows [new text is italicized]:

Minor Rule Plan

Rule 10.13(a)-(i)—No change.

(j) Minor Rule Plan: Record Keeping and Other Minor Rule Violations.

(j)(1)-(j)(4)—No change.

(j)(5) *Failure to file a financial report or financial information in the type, form, manner and time prescribed by the Exchange. (Rule 2.12(a))*

(j)(6) *Delaying, impeding or failing to cooperate in an Exchange investigation. (Rule 10.2(b))*

* * * * *

Minor Rule Plan Recommended Fine Schedule (Pursuant to Rule 10.13(f))

Rule 10.13(j).

³ 17 CFR 200.30-3(a)(12).

¹ 17 CFR 240.9b-1 (1994).

² See letter from Jean M. Cawley, OCC, to Michael Walinskas, Branch Chief, Office of Market Supervision, Division of Market Regulation, Commission, dated November 7, 1995.

³ See Securities Exchange Act Release No. 36131 (August 22, 1995), 60 FR 44927 (August 29, 1995) (notice of File No. SR-PHLX-95-52).

⁴ This provision is intended to permit the Commission either to accelerate or to extend the time period in which definitive copies of a

disclosure document may be distributed to the public.

⁵ 17 CFR 240.9b-1 (1994).

⁶ 17 CFR 200.30-3(a)(39) (1994).

RECORD KEEPING AND OTHER MINOR RULE VIOLATIONS

	1st violation	2nd violation	3rd violation
1-4—No change:			
5. Failure to file a financial report or financial information in the type, form, manner and time prescribed by the Exchange. (Rule 2.12(a))	\$100	\$250	\$500
6. Delaying, impeding or failing to cooperate in an Exchange investigation. (Rule 10.2(b))	100	250	500

* * * * *

Financial Reports

Rule 2.12(b)(1). Each member organization shall file with the Exchange a Report of Financial Condition on SEC Form X-17A-5 as required by Securities and Exchange Commission Rules 17a-5 and 17a-10. Any member who fails to file such Report of Financial Condition in a timely manner shall be subject to late filing charges as follows:

Number of days late	Amount of charge
1-30	\$200.00
31-60	400.00
61-90	800.00

Repeated or aggravated failure to file such Report of Financial Condition or failure to file such report for more than ninety days will be referred to the Ethics and Business Conduct Committee for appropriate disciplinary action.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The self-regulatory organization has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange's Minor Rule Plan ("MRP"),¹ set forth in PSE Rule 10.13, provides that the Exchange may impose a fine not to exceed \$5,000 on any member, member organization, or person associated with a member or member organization, for any violation

of an Exchange rule that has been deemed to be minor in nature and approved by the Commission for inclusion in the MRP. PSE Rule 10.13, subsections (h)-(j), sets forth the specific Exchange rules deemed to be minor in nature.

The Exchange is proposing to add the following provision to the MRP as PSE Rule 10.13(j)(5): "Failure to file a financial report or financial information in the type, form, manner and time prescribed by the Exchange. (Rule 2.12(a))."² The Exchange is also proposing to amend its Recommended Fine Schedule to establish the following recommended fines for violations of PSE Rule 2.12(a): \$100 for a first-time violation; \$250 for a second-time violation; and \$500 for a third-time violation.³

The Exchange is also proposing to add the following provision to the MRP as PSE Rule 10.13(j)(6): "Delaying, impeding or failing to cooperate in an Exchange investigation. (Rule 10.2(b))."⁴ The Exchange is also proposing to amend its Recommended Fine Schedule to establish the following recommended fines for violations of PSE Rule 10.2(b): \$100 for a first-time violation; \$250 for a second-time violation; and \$500 for a third-time violation.

² PSE Rule 2.12(a) states: "Every member organization which is not a member of another national securities exchange or registered national securities association which is the Designated Examining Authority for that member organization shall file with the Exchange answers to Financial Questionnaires, Reports of Income and Expenses and additional financial information in the type, form, manner and time prescribed by the Exchange."

³ For a discussion of the Exchange's Recommended Fine Schedule, see Securities Exchange Act Release No. 34322 (July 6, 1994), 59 FR 35958 (July 14, 1994).

⁴ PSE Rule 10.2(b) states: "No member or person associated with a member shall impede or delay an Exchange investigation with respect to possible violations within the disciplinary jurisdiction of the Exchange nor refuse to furnish testimony, documentary materials or other information requested by the Exchange during the course of its investigation. Failure to furnish such testimony, documentary materials or other information requested by the Exchange pursuant to this Rule on the date or within the time period required by the Exchange shall be considered obstructive of an Exchange inquiry or investigation and subject to formal disciplinary action."

The Exchange believes that the rules proposed to be added to the MRP are either objective or technical in nature and are easily verifiable, thereby lending themselves to the use of expedited proceedings. The Exchange further believes that violations of such rules may require sanctions more severe than a warning or cautionary letter, but that full disciplinary proceedings (pursuant to PSE Rule 10.3) would, in general, be unsuitable because they would be costly and time consuming in view of the minor nature of the violations. Nevertheless, the Exchange notes that if a rule violation is particularly egregious or if the individual situation warrants such action, the Exchange may proceed with formal disciplinary action pursuant to PSE Rule 10.3, rather than with the MRP procedures under PSE Rule 10.13.

In addition, the Exchange is proposing to amend PSE Rule 2.12(b)(1) to establish an administrative charge for member organizations that are late in filing their periodic FOCUS Reports with the Exchange.⁵ The proposed rule change would add a reference to Rule 17a-5 to the text of PSE Rule 2.12(b)(1), making the late filing of periodic FOCUS Reports subject to the same "late charge" schedule that currently applies to the late filing of annual FOCUS Reports required by Rule 17a-10 under the Act.⁶

2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Act,⁷

⁵ The Exchange's plan filed pursuant to Rule 17a-5(a)(4) under the Act require PSE member organizations that are not exempt from Rule 15c3-1 under the Act ("Net Capital Rule") to file periodic FOCUS Reports with the Exchange if the PSE is their designated examining authority ("DEA"). See 17 CFR 17a-5(a)(4); Securities Exchange Act Release No. 11935 (December 17, 1975), 40 FR 59706 (December 30, 1975) (order approving the PSE's plan pursuant to Rule 17a-5). In 1993, the SEC approved certain changes to the Net Capital Rule, including the elimination of an exemption for certain equity exchange specialists, effective as of April 1, 1994. See Securities Exchange Act Release No. 32737 (August 11, 1993), 58 FR 43555 (August 17, 1993). Consequently, as of April 1, 1994, a number of Exchange specialists became obligated to file FOCUS reports with the Exchange. Prior to April 1994, no PSE member organizations were required to file such reports with the Exchange.

⁶ 17 CFR 17a-10.

⁷ 15 U.S.C. 78f(b).

¹ The MRP was initially approved by the Commission in 1985. See Securities Exchange Act Release No. 22654 (Nov. 21, 1985), 50 FR 48853 (Nov. 27, 1985). Since 1985, the MRP has been amended several times. See, e.g., Securities Exchange Act Release No. 36158 (August 25, 1995), 60 FR 45758 (September 1, 1995).

in general, and Sections 6(b)(5) and 6(b)(6), in particular, in that it is designed to promote just and equitable principles of trade, to protect investors and the public interest, and to provide that members of the Exchange are appropriately disciplined for violations of Exchange rules.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any inappropriate burden on competition.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

No written comments were either solicited or received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 35 days of the publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) By order approve the proposed rule change, or

(B) Institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying at the Commission's Public Reference Section, 450 Fifth Street, NW., Washington, DC 20549. Copies of such filing will also be available for inspection and copying at the principal office of the Exchange. All submissions should refer to File No. SR-PSE-95-27

and should be submitted by December 7, 1995.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 95-28318 Filed 11-15-95; 8:45 am]

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[Release No. 34-36468; International Series Release No. 882; File No. SR-PHLX-95-52]

Self-Regulatory Organizations; Order Granting Approval to Proposed Rule Change and Notice of Filing and Order Granting Accelerated Approval to Amendment Nos. 1 and 2 to Proposed Rule Change by the Philadelphia Stock Exchange, Inc., Relating to Customized Foreign Currency Options With Customized Expiration Dates

November 8, 1995

I. Introduction

On July 27, 1995, the Philadelphia Stock Exchange, Inc. ("PHLX" or "Exchange") submitted to the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² a proposed rule change to provide for the trading of customized foreign currency options ("Customized FCOs") with customized expiration dates.

The proposed rule change appeared in the Federal Register on August 29, 1995.³ No comment letters were received on the proposed rule change. The Exchange subsequently filed Amendment No. 1 to proposal on September 14, 1995⁴ and Amendment No. 2 on November 7, 1995.⁵ This order

¹ 15 U.S.C. 78s(b)(1) (1988).

² 17 CFR 240.19b-4 (1994).

³ See Securities Exchange Act Release No. 36131 (August 22, 1995), 60 FR 44927 (August 29, 1995).

⁴ Amendment No. 1 to the proposed rule change: (1) Revises the language of Exchange Rule 1069(a) to specify that a FCO with a customized expiration date may only be created with an expiration date of up to two years from the date of its issuance; and (2) provides that with respect to FCOs with customized expiration dates, Exchange member organizations will be required to utilize a pro-rata method of assignment for its customers. This procedure is set forth in new subsection (k) to Rule 1069. See letter from Michele R. Weisbaum, Associate General Counsel, PHLX, to Michael Walinskas, Branch Chief, Office of Market Supervision ("OMS"), Division of Market Regulation ("Division"), Commission, dated September 14, 1995 ("Amendment No. 1").

⁵ Amendment No. 2 to the proposed rule change establishes in new subsection (iv) to PHLX Rule 1000(b)(21) when a Customized expiration date FCO may expire. According to the PHLX's amendment, a Customized expiration date FCO will expire at 10:15 a.m., Philadelphia time, on its

approves the Exchange's proposal, as amended.

II. Background and Description

Pursuant to the proposed rule change, the PHLX would be able to offer its FCO participants the ability to trade Customized FCOs⁶ with non-standardized expiration dates. In effect, the proposal adds an additional term, "expiration date," that can be tailored on a Customized FCO transaction. At present, pursuant to Exchange Rule 1012, FCO users can only trade Customized FCO contracts with expiration dates corresponding to those for non-Customized FCOs. Thus, Customized FCO contracts may only be traded with mid-month and end-of-month expirations at 1, 2, 3, 6, 9, 12, 18, and 24 months. The Exchange's proposal therefore revises this previously-standard term by allowing Customized FCO contracts to expire on any business day (excluding Exchange holidays, e.g., Memorial Day, and Exchange-designated holidays, e.g., Boxing Day) in any month up to two years from the date of its issuance. The Exchange represents that institutions and multinational corporations will thus be able to hedge their exchange rate exposure more accurately by trading a contract that expires on a trading day of their choosing.

Under the PHLX's proposal, any Customized FCO contract with a customized expiration date ("Customized expiration date FCOs") will cease trading at 9:00 a.m., Philadelphia time, on its expiration date, and will expire at 10:15 a.m., Philadelphia time, on that date. Customized FCOs with expiration dates established pursuant to PHLX Rule 1012 (i.e., Customized FCOs with expiration dates corresponding to the expiration dates for non-Customized FCOs), however, will not follow this procedure. Instead, maintaining current practice,

designated date provided that such date is not longer than two years from its date of issuance and is an Exchange business date (excluding regular mid-month and end of month expiration dates and days deemed invalid by the Exchange, such as Exchange holidays and Exchange-designated holidays). See letter from Michele R. Weisbaum, Associate General Counsel, PHLX, to Michael Walinskas, Branch Chief, OMS, Division, Commission, dated November 7, 1995 ("Amendment No. 2").

⁶ Users of FCOs have been able to trade Customized FCOs on the PHLX since November 1994. See Securities Exchange Act Release No. 34925 (November 1, 1994), 59 FR 55720 (November 8, 1994) (order approving File No. SR-PHLX-94-18) ("Securities Exchange Act Release No. 34925"). Through this mechanism, participants in the PHLX's Customized FCO market have the ability to customize their strike price and quotation method, and may choose any underlying and base currency combination from all Exchange-listed currencies.